

Message Text

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SUBJECT MEETING AT THE LEVEL OF DEPUTY PERMANENT REPRESENTATIVES
ON CENTRAL EUROPE PIPELINE SYSTEM (CEPS) FINANCIAL
PROBLEMS, AT NATO HEADQUARTERS, BURSSELS, 19 APRIL 1977

REFS A. AC/120-D/993(REVISED), 15 MAR 77; B. USNATO 2059
(DTG 080942Z APR 77; C. USNATO 1253 DTG 081710Z MAR 77;
D. USNATO 377 DTG 240907Z JAN 77

SUMMARY: NETHERLANDS DEPUTY PERMREP BUWALDA (ACTING AS DOYEN)
HAS CALLED A MEETING OF DEPPERMREPS OF CENTRAL EUROPE PIPELINE
SYSTEM (CEPS) NATIONS ON 19 APRIL 77 TO DISCUSS LONG- OUTSTANDING
FINANCIAL PROBLEMS OF THE CEPS IN AN ATTEMPT TO ACHIEVE A
COMPROMISE WHICH WOULD DISTRIBUTE THE BURDEN AMONG ALL NATIONS,
ALTHOUGH MOST WILL FALL ON FRANCE AND THE FRG, WHO HAVE BEEN
PRINCIPAL BENEFICIARIES OF PAST PRACTICES. ACTION REQUESTED:
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GUIDANCE BY 18 APRIL 77. END SUMMARY.

1. REF A, WHICH WAS HANDCARRIED TO WASHINGTON, IS THE AGENDA
DOCUMENT FOR THE "MEETING AT THE LEVEL OF DEPUTY PERMANENT
REPRESENTATIVES ON CEPS FINANCIAL PROBLEMS" TO BE HELD ON
19 APRIL 1977 IN BRUSSELS. REFS B, C AND D CONTAIN BACKGROUND
DISCUSSION AND RECOMMENDATIONS PERTAINING TO AGENDA. WE HAVE
RECEIVED WASHINGTON CONCURRENCE IN THE RECOMMENDATIONS IN REF B.
THE "DRAFT GENERAL COMPROMISE AGREEMENT", ANNEX II TO REF A,
WILL BE THE MAIN SUBJECT OF DISCUSSION. WE SUPPORT THIS

COMPROMISE WITH TWO EXCEPTIONS (PER REF D, PARA VIIM C) -
PROPOSED REVISION TO MILITARY TARIFFS, AND PAYMENTS TO TRAPIL.

2. THE PROPOSED REVISION TO MILITARY TARIFFS (REF A, ANNEX I, PARA 11) WOULD PLACE A DISPROPORTIONATE BURDEN ON STORAGE TARIFFS FOR WHICH THE US IS THE LARGEST CONTRIBUTOR. WE PREFER A DECREASE IN NUMBER OF CEPS UNITS CHARGED FOR STORAGE AND AN INCREASE IN THE COST OF THE CENTRAL EUROPE PIPELINE SYSTEM UNIT TO REACH THE DESIRED LEVEL OF REVENUE. THIS WOULD DISTRIBUTE THE COST OF OPERATION MORE EQUITABLY TO THE MOVEMENTS AND HANDLING OF PRODUCTS. IF THIS SUBJECT IS BROACHED (IT IS NOT REFERRED TO IN ANNEX II), WE RECOMMEND ABOVE POSITION.

3. THE PROPOSAL CONCERNING TRAPIL REMUNERATION FOR MANAGEMENT OF CIVIL MOVEMENTS (REF A, ANNEX II, PARA 5) WOULD SWEEP THE ANOMALY UNDER THE RUG AND FREEZE PRESENT ABUSIVE PAYMENTS TO TRAPIL AT THEIR PRESENT LEVELS IRRESPECTIVE OF FUTURE AUGMENTATION IN TARIFFS. AS EXPLAINED IN ANNEX I, PARAS 31-34, REMUNERATION TO TRAPIL FROM THE CEPS BUDGET HAS BEEN 100 PERCENT COVERAGE OF DIRECT AND INDIRECT COSTS PLUS 6 PERCENT OF GROSS REVENUE FOR CIVIL MOVEMENTS. IN ADDITION, THE CLIENT COMPANIES HAVE MADE DIRECT PAYMENTS TO TRAPIL OF ABOUT 10 PERCENT OF THE TARIFFS FOR LAVERA-STRASBOURG MOVEMENTS (THUS SHORT CIRCUITING ANY CEPS ACCOUNTING FOR THESE PAYMENTS). WE BELIEVE THAT THESE PAYMENTS SHOULD BE ADDED TO THE CEPS TARIFFS AND THAT THE

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PAYMENT TO TRAPIL FOR PROFIT ON ALL CIVIL MOVEMENTS SHOULD BE OPENLY AGREED BY THE CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC) AT WHATEVER LEVEL SEEMS REASONABLE. FRENCH AUTHORITIES OPPOSE THIS SOLUTION, WHICH WOULD AIR THE PAST IRREGULARITIES.

4. WE PROPOSE, THEREFORE, THAT WE BE AUTHORIZED TO ACCEPT THE PROPOSALS (ANNEX II), SUBJECT TO ABOVE COMMENTS. SHOULD THE ABOVE POINTS PROVE TO BE UNMANAGEABLE, SUGGEST WE BE READY TO COMPROMISE IF THERE IS SUFFICIENT GIVE BY OTHER NATIONS (I.E., ACCEPTANCE OF THE TRAPIL PROPOSAL, IF FRENCH REP CAN AGREE TO INCREASE LAVERA-STRASBOURG TARIFFS SUFFICIENTLY TO OFFSE THE CEPS LOSS AND EXEMPT CIVIL MOVEMENTS FROM TAXES, PROFIT AND VALUE ADDED).

5. REQUEST GUIDANCE BY 18 APRIL 77. STRAUSZ-HUPE

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CENTRAL EUROPE PIPELINE SYSTEM